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Austria

Solid Wood Products

Annual

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Report Highlights: Austria's timber industry is highly export oriented and over 60% production is exported. Italy is the main outlet market and is expected to increase further in importance. Exports to Germany on a quantity basis will remain at the current level. Growing and more significant markets are Asia and the United States. Imports of lower quality softwood lumber are used for processing. The Czech Republic is Austrian's main supplier of this wood; imports are expected to increase. High demand for softwood lumber in domestic and foreign markets caused a slight increase in production and sales in 2001 and 2002. Wind damage from autumn 2002 is estimated at lower than the annual felling rate so it is not expected to have an effect on the market. U.S. export opportunities are in general limited to small quantities of hardwood lumber and special softwood lumber made from slow-growing pine. In addition small quantities of U.S. veneers could find a market in Austria.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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A. Forest Situation/Outlook

Forest Inventory
Since 1961, the federal forestry research institute periodically carries out inventory surveys, which include forest area, standing timber, growth, forest condition, biodiversity, and other ecological and economic criteria. The last inventory was carried out in the period 1992 - 1996; most figures indicated below are based on this survey. The data of a new survey, which began in spring 2000 will be available in the mid of 2003.

Area and Ecology
Austrian forest area is 3.92 million hectares (ha) which is 46.7% of total area. This means that

Austria has the largest percentage of forest in the European Union. Of the total forest area, 75.7% is commercially usable high forest and 2.4% commercially usable sprouting forest. The share of protection forest (forest in endangered areas, e.g. erosion) is 19.3% of which 40% can be used commercially in a limited way. The remaining 60% of protection forests cannot be used due to marginal growth or steep slopes. The forest area taken out of production (forest roads, ski runs, natural parks etc.) is 2.6%. The total commercially usable forest area is about 83%.

Forests are not evenly spread over the country. Styria, in the southeast, has 60%, whereas Burgenland in the east of Austria has only 32% area covered by forests.

Since most of the country is mountainous, the share of coniferous trees is very high (69.2%). At higher altitudes, conifers are predominant. However, in the past, the number of coniferous trees at lower altitudes particularly European spruce and silver fir - was quite high for commercial reasons. In many cases, the ecological tolerance of the locations was surpassed which resulted in increased occurrence of pests and increased snow damage and wind felling. To reduce the ecological disadvantages, an important target of Austria's forest policy has been the rebuilding of natural stands. In general, only reforestation/afforestation with a certain minimum share of deciduous trees is supported. (As European spruce is the most economically valuable tree, forest owners tended to create spruce monocultures.) As a consequence, the share of deciduous trees is rising.

Due to the climatic conditions and mainly mountainous geography, coniferous forests (64%) prevail followed by mixed (22%) and deciduous forests (14%). European spruce (55%) is the main tree, while the share of other coniferous trees such as silver fir (2.3%), European larch (4.9%), Scotch pine (6.1%), and others (0.1%) is small. Broad leafed trees account for 22.3%(9.2% beech, 2.0%oak, 6.8% other hardwood and 4.3% softwood) of forest area.

Comment to "Strategic Indicator Tables"
As in the "Strategic Indicator Tables" no mixed forest (temperate hardwood and softwood) are included, half of the mixed forest area is added to the temperate hardwood and half to the softwood area.

In general, the age classes of the commercially used forests are fairly balanced. In Government forests, old stands are somewhat predominant whereas in the small farmer forests, stands up to 40 years prevail. The latter is the result of reforestation of clear cuts carried out during the war and afforestation of agricultural land.

In 1997, a study was carried out about naturalness of hemeroby (hemeroby: a measure for man's cultivation influence on ecosystems) of Austrian forests. According to this study, 3% of the total forest area are natural forests (natural composition of stands, bushes, and grass: no anthropogenic impact detectable), 22% natural, 41% moderately altered, 27% significantly altered, and 7% artificial (trees not typical to the area, however, not plantations).

Standing Timber
Total standing timber in expected to increase.

High demand for softwood lumber in domestic and foreign markets caused a slight increase in production and sales in 2001 and 2002. Wind damages from autumn 2002 are estimated lower than the annual felling rate so it is not expected to have an effect on the market.

U.S. export opportunities are in general limited to small quantities of hardwood lumber and special softwood lumber made from slow-growing pine. In addition small quantities of U.S. veneers should find a market in Austria.

Comment to the "Strategic Indicator Tables"
As the volume of standing timber and annual growth of non-usable forests - mainly protection forests - is only of theoretical significance, these figures are not included in the surveys. Evaluation of non-usable forests is difficult as trees are frequently spars and stunted due to high altitudes. Thus, the "total volume of standing timber" in the strategic indicator table is a rough estimate.

Felling and Reforestation
The Austrian forest law covers all forests, private and public. Generally, no clear cutting on an area larger than 2 ha is permitted, and for the clearing of areas larger than 0.5 ha an approval by regional authorities is required. Exceptions for clear cuts larger than 2 ha are granted by the Ministry of Agriculture only if the timber stand is seriously endangered by pests.

The prevailing harvesting systems (more than 50% of the total wood harvest) account for regeneration felling, removing because of disasters, and clear cuts under 500 square meters. Clear cuts above 500 square meter (but in general below 2 ha) account for 28%. The share of thinning cuts is around 16% (0.9 cubm/ha).

According to the forestry law, reforestation is compulsory (all forest area must remain forest area). Natural regeneration is preferred but if it cannot be expected within 8 years due to various reasons, the owner has to carry out reforestation within 3 years.

Tree Damage
The stock growth would be even higher if the number of large game animals were reduced. (Austria's strong hunter lobby is against it.) Most of the damage is caused by these animals eating the shoots of young trees, particularly silver fir and beech. About 85% of the forest area with natural regeneration is browsed by game. In addition, enormous damage is caused on young and mid aged stands by bark peeling. These bark wounds allow the penetration of fungi, which weakens the trees and reduces the quality of the harvested logs.

Similar damage is caused by log transport. About 13% of the standing timber is damaged by harvesting methods. For this reason, the Agricultural Ministry wants to improve harvesting methods.

In November 2002 heavy storms broke about 3 million cubm timber, 3000 ha were destroyed. The total value of the damage amounts to 70 million Euro. An emergency aid of 1500 Euro per ha for the affected farmers comes with the strings attached that the broken timber will be removed quickly in order to avoid the propagation of bark-beetles. As the windbreak is estimated lower than the annual felling rate, it is not expected that this will have an impact on the market.

Infrastructure
The well developed infrastructure in Austria's forests provides for easy access and thus for economic log transportation and forest care. Usable forest is made accessible by 108,000 km of forest roads, of which more than 50% are in small forest enterprises (below 200 ha). In addition to forest roads, 42,300 km of public roads - which in general can also be used for wood transportation - are going through forests. A well planned network of 147,000 km of simple paths are used for log moving by tractors and sometimes horses.

Forest Ownership
Around 48.8% of the Austrian forest area is composed of small properties of less than 200 ha. Only 22.4% of private forests are above 200 ha. Federal forests account for 15.7%, provincial forests for 1.5%, municipality forests for 2.2%, and cooperative and other common forests for 9.8%.

Forestry in the Overall Economy
During the period from 1996 to 1999 forest production was steadily rising up to a total gross value of 0.99 billion Euro. In 2000 wood prices drifted down because of the large availability of damaged wood due to the heavy storm "Lothar" in December 1999. As a consequence the value of forest production also declined in 2000 to 0.89 billion Euro and is again slightly rising up to 0.9 billion Euro in 2001. Forestry accounts for slightly more than on sixth of total agricultural and forestry production and thus constitutes an important income source for many farmers, particularly mountain farmers. Forestry contributes around 0.3 % to GDP.

Forestry Support
Since 2000 forestry support is phased out by the Austrian Program to the EU regulation EUVO 1257/99 "Rural Renewal" - chapter forestry. This support program is in effect till 2006. Through this regulation co-financing by Brussels was greatly enlarged. The forestry support budget in 2001 amounted to 25.4 Million Euro. The forestry budget proposal for 2002 was the same as 2001. The same amount is expected for the next years.

Forest Conditions
According to the results of the annual forest survey, the condition of Austrian forests got worse in 2001. The main reason for this probably was the unfavorable weather condition, less rain and more heat than on average. Only 57.7 % showed no reduced crown density. This result is as bad and unsatisfactory as it was in the early 90s.

Pan European Forest Certification (PEFC)
Since February 2002 the total Austrian forest area consisting of 9 regions is PEFC certified. PEFC Austria is an initiative of representatives of the forest industry, forest trade and environmental organizations. Forest products with the PEFC logo will indicate that the product comes from sustainably managed forests according to the requirements of "PEFC Europe" which have been adapted to the small scaled Austrian forestry.

FOREST AREA Country: Austria Report Year: 2002	Previous Calendar	Current Calendar	Following Calendar
Total Land Area (million hectares)	8	8	8
Total Forest Area (million hectares)	4	4	4
--of which, Commercial ('000 hectares)	3	3	3
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	1	1	1
----of commercial, softwood ('000 hectares)	2	2	2
Forest Type			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	0	0	0
--of which, other commercial (regrowth) ('000 hectares)	0	0	0
Total Volume of Standing Timber (thousand cubic meters)	1,300,000	1,300,000	1,300,000
--of which, Commercial Timber ('000 cum)	998	998	998
Annual Timber Removal ('000 cum) 1/	19,500	19,500	19,500
Annual Timber Growth Rate ('000 cum)	27,300	27,300	27,300
Annual Allowable Cut ('000 cum)	N/A	N/A	N/A

B. Solid Wood Products Situation/Outlook

Roundwood PS&D Table Softwood Logs

PSD Table						
Country	Austria					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	7750	7750	0	7770	0	7850
Imports	5770	6121	0	6210	0	6400
TOTAL SUPPLY	13520	13871	0	13980	0	14250
Exports	650	493	0	510	0	550
Domestic Consumption	12870	13378	0	13470	0	13700
TOTAL DISTRIBUTION	13520	13871	0	13980	0	14250

Forest Enterprises
The Austrian forestry sector is made up of mostly small land holders. Of the total 171,000, 53 % have a size less than 200 ha with an average of 9.2 ha. 80 % of the total forests are owned by private owners, 15 % by the public and 5 % by the Austrian Bundesforste AG, which is a state agency.

More than 50 % of the annual wood harvest comes from enterprises smaller than 200 ha. Most of it is produced by family members of small farmers, owning in addition to agricultural land 2 - 20 ha forests. Due to low levels of mechanization, harvesting costs are around 40 % higher than for large enterprises.

Log Prices
After the significant decline of log prices due to the large availability of damaged wood caused by the heavy storm "Lothar" in the first half of 2000, prices for logs in 2001 were relatively stable. The average price for the main log types European spruce/white fir amounted to 73.04 Euro/cubm in 2001. This was 0.9 % less than the previous year. In an average log prices rose slightly but steadily up to 73. 77 Euro/cum (+2 %) in 2002. For the following year prices are expected to decline.

Felling rate
While the felling rate declined in 2000 because of the large stock of damaged wood it stepped up again in 2001 by 1.4 % to 13.5 million cubm. The amount of damaged wood in Austria caused by the heavy storms in Nov. 2002 is estimated to 3.7 to 3.8 cubm (27.4 % of the annual felling rate). Due to the large availability of damaged wood the felling rate for 2003 is expected to decrease by around 10 %.

As in previous years, around 85 % will be soft and 15 % hardwood. In the second half of 2003, the general economy is expected to recover and getting better, then wood consumption should rise slightly.

Softwood Lumber PS&D Table

PSD Table						
Country	Austria					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Production	10060	10010	0	10110	0	10125
Imports	1121	1005	0	1120	0	1250
TOTAL SUPPLY	11181	11015	0	11230	0	11375
Exports	6131	5653	0	6130	0	6250
Domestic Consumption	5050	5362	0	5100	0	5125
TOTAL DISTRIBUTION	11181	11015	0	11230	0	11375

Sawmills
In the Austrian sawmill sector significant changes are taking place. Sharp competition reduced the

number of sawmills from 5,100 in 1950 to 1,500 in 2001. However the structural cleansing is still taking place. Particularly, the large number of small mills, estimated at 1,300, will decline. Nevertheless, many small companies will survive through specializing on niche products.

While the number of sawmills declined, milling capacities of remaining companies were significantly expanded. From 1950 to 2001, the lumber output rose from 4,000 cubm to 10,260 cubm. Annual investments for modernization and capacity expansion were not as high as in the end nintees.

At present, there are 1,500 sawmills occupying 10,000 employees. The majority of the companies are small and have only 10 employees.

Until five years ago, all sawmills were in Austrian hands. Some of the large mills even own daughter firms in Germany and central Eruopean countries. Austrian largest sawmill, Binder e.g. has an annual turnover of 220 Mio Euro.

Production and consumption
Declining demand for construcion wood in the western industrial countries in 2001 made the lumber market suffer. In contrary to that the European lumber exporters profited by the high U.S. $ exchange rate, which supported export prices. In 2001 lumber production slightly declined to 10.26 million cubm, also the total turnover was lessened to 1.66 billion Euro (- 2 %).

Prices
After a stable period in the second half of 2000 softwood lumber spruce/white fir prices for scantling decreased from 193 Euro to 185 Euro at the end of 2001. At the beginning of 2002 a price decline from 192 Euro to 195 Euro could be observed. In 2002 the softwood lumber prices were fairly stable. The high penalty tariffs on Canadian wood imports to U.S. had in indirect influence on the European lumber prices. In 2001 the Austrian export prices for softwood lumber were 3.2 % under that of 2000.

Due to the stagnating construction sector in Europe but the high expectations to the export markets Japan and U.S. the lumber consumption should increase slightly. The large exports of Scandinavian producers and of the new large sawmills in Germany will result in heavy price pressure.

Trade

A. Overview/Outlook

Softwood Logs

Import Trade Matrix			
Country	Austria		
Commodity	Softwood Logs		
Time period	2000	Units:	2001

Imports for:			1
U.S.		U.S.	
Others		Others	
Germany	2862	Germany	2535
Switzerland	1386	Czech Republic	1210
Czech Republic	1104	Switzerland	1042
Slovakia	458	Slovakia	425
Hungary	295	Hungary	286
Ukraine	268	Ukraine	254
Russia	198	Russia	170
Romania	186		
Total for Others	6757		5922
Others not Listed	208		199
Grand Total	6965		6121

Export Trade Matrix			
Country	Austria		
Commodity	Softwood Logs		
Time period	2000	Units:	2001
Exports for:			1
U.S.		U.S.	
Others		Others	
Italy	367	Italy	398
Slovenia	41	Slovenia	49
Greece	16	Germany	24
Germany	9	Greece	15
Total for Others	433		486
Others not Listed	3		7
Grand Total	436		493

Softwood Lumber (SWL) Import Trade Matrix

Import Trade Matrix			
Country	Austria		
Commodity	Softwood Lumber		
Time period	2000	Units:	2001
Imports for:			1
U.S.		U.S.	
Others		Others	
Czech Republic	490	Czech Republic	389
Germany	245	Germany	271
Finland	113	Russia	70
Romania	89	Finland	65
Sovakia	65	Slovakia	55
Ukraine	41	Sweden	15
Sovakia	33	Romania	15
Hungary	18		
Sweden	18		
Total for Others	1112		880
Others not Listed	53		125
Grand Total	1165		1005

Export Trade Matrix

Export Trade Matrix			
Country	Austria		
Commodity	Softwood Lumber		
Time period	2000	Units:	2001
Exports for:			1
U.S.	181	U.S.	242
Others		Others	
Italy	3768	Italy	3761
Germany	581	Germany	470
Japan	499	Japan	466

Slovenia	259	Slovenia	266
Saudi Arabia	157	Saudi Arabia	114
Switzerland	98	Croatia	110
Croatia	62	Switzerland	67
Greece	25		
Total for Others	5449		5254
Others not Listed	164		157
Grand Total	5794		5653

In 2001 the exports of softwood lumber reached 5.7 million cubic meters and were nearly as high as in the record year 2000 (5.8 million cubm). Also the export value stayed at a high level (1,009 million Euro) compared to 2000 (1,045 million Euro). The exports to Italy, the main export market, remained constantly at 3.8 million cubm. Deliveries to Germany, the second ranked market, declined 581,000 cubm in 2000 to 470,000 cubm in 2001 (-19.1 %), followed by the Japanese market with 470,000 cubm in 2001 (- 6.6 %). Increases could be observed for the Eastern European countries (+ 17.8 %). Softwood lumber exports to United States have been at their highest level in 2001. In 2001 exports to United States reached 242,000 cubm (+ 33.7 %). High penalty tariffs on Canadian wood products strengthened the market for European exports to the United States.

Exports in 2002 are expected to be stable or even slightly increasing (up to 2 %) in quality and value

In 2003 exports should rise slightly after the first half due to an expected recovering of the general economy. Saw millers expect an increase in deliveries to the Asian market (Japan but also China and Taiwan) and to the U.S. market. There are also expectations for export increases to the Eastern European countries and to the Near East.

Total imports of softwood logs and softwood lumbers declined in 2001 (softwood logs: - 12.1 %, softwood lumbers: - 13.7 %) compared to 2000. Main import countries for softwood logs are Germany (2,535 cubm in 2001), Czech Republic (1,210 cubm) and Switzerland (1,042 cubm). Czech Republic (389 cubm in 2001) and Germany (271 cubm) are the most important import countries for softwood lumber.

Because the stocks were still full with damaged wood of the heavy storm of December 1999 in the first half of 2002 imports continued to decrease (- 9 %). Since this wood will be consumed for 2003 a small import rise is expected.

Particle Board
In 2001, the particle and fibre board producers manufactured wood based panels in the amount of 608,4 million Euro (in 2000: 572.6 million Euro). The export share amounted to 80 %. While the imports amounted to 115.3 million Euro in 2001 (in 2000: 120.3 million Euro) the exports

amounted 559.4 million Euro (in 2000: 493.2 million Euro). In the first half year of 2002 particle board exports rose again by 10 % and imports by 11%. According to the Austrian Wood Industries Austrian producers are the most important producers of wood based panels with a production volume of 15 million cubm per year.

Austria is an EU member: thus, EU import regulations are applied.

C. Competition

The Austrian wood promotion organization "Pro Holz" promotes Austrian forest products on the domestic market and abroad in cooperation with the economic chamber. There are no forest product promotions carried out by other countries.

Market Development Strategies

For normal softwood lumber, the United States probably cannot compete with European countries, which have the advantage of cheaper freight costs. Although Austria is the world's fourth largest softwood lumber exporter, relatively large quantities are imported. Main suppliers are Germany and the Czech Republic. U.S. exports are probably limited to specialty items like lumber made from pine from slow growing regions intended for window and door frames. Such lumber and shingles are also imported from Canada. The quantity of hardwood lumber coming from the U.S. is much larger (4,533 cubm in 2001) than that of softwood lumber (334 cubm in 2001).

Occasionally, small quantities of hardwood logs and special softwood logs are imported from the United States. Promotion of these products would not increase imports significantly.

There are probably some market opportunities for hardwood veneers. After several years of no imports from the U.S., in 1999, around 1,000 MT came from the States. In 2001, 1,660 MT were imported from the United States. This amount could rise.

In general, the United States face heavy competition in the Austrian forest product market. Domestic production of wood products is large and of high quality. Other high quality products from other EU countries can enter the country without import duty. Neighbor Central European countries can supply a large assortment of forest products at lower prices. The main chances for U.S. exporters are in sectors which Europeans cannot supply, such as dense woods or products made from them.

Average exchange rates

$1 = Euro 0.92 in 2000
$1 = Euro 0.89 in 2001
$1 = Euro 0.90 in the first half of 2002